

Division of Consumer Affairs

News Release

TENNESSEE SUES CREDIT REPAIR BUSINESS FOR DECEPTIVE ADS, ILLEGAL PRACTICES

FOR IMMEDIATE RELEASE

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The Tennessee Attorney General's Office and Tennessee Division of Consumer Affairs have filed suit against New Beginnings Credit Association for allegedly running deceptive ads and for charging consumers to "re-establish credit."

State officials estimate there are hundreds of people who were victimized by the company's questionable practices since it began advertising here in 1992. Several hundred people are believed to have paid more than \$1,000 to get a membership with the company and in return usually got little more than a credit card with a \$300 credit limit.

The State alleges in its complaint numerous misleading advertisements to promote New Beginning's "services." Among the claims alleged to be misleading and untrue are that consumers will not be charged for application or processing fees, that there is a guaranteed credit line up to \$2,500 and that anyone, "regardless of your past credit history," can get a three-minute preapproval. The ads have run in at least two Nashville newspapers and possibly other area publications.

The State's complaint alleges: After consumers are "pre-qualified," the telemarketer tells them they must meet with a "bank representative," who is actually an employee of the company. Candidates then must sit through a lengthy sales presentation and eventually are told they can get a credit card if they become a member of the company. The cost of the membership is usually \$1,139 for the first two years followed by \$49.95 for the third year. Company officials also offer to finance the fees through credit card payments at 18.9 percent interest. Members have 72 hours to change their minds, but the company's services are not delivered before that time elapses. In addition, the company refers consumers to collection agents to collect the "membership fees" if members become delinquent in paying those fees.

The State is seeking to have all membership contracts voided and consumers refunded in full. In addition, it is seeking an injunction requiring the company to change its operation and advertising practices.

"The main thing to remember, with any credit repair service, is that a company cannot re-establish a consumer's credit rating any faster or in any way that the consumer could not do on his or her own," said Mark Williams, Director of Tennessee Division of Consumer Affairs.